



City of Seattle Office of Housing

Community
Cornerstones
Equitable Transit-
Oriented
Development Loan Program



REQUEST FOR PROPOSALS February 28, 2013

*Short-term Financing for Mixed-Income
Transit-Oriented Development*

Applications Accepted on a Rolling Basis through May 2013

City of Seattle
Michael McGinn, Mayor

Office of Housing
Rick Hooper, Director

TABLE OF CONTENTS

I.	Overview of ETOD Loan Program	2
II.	Priorities for ETOD Loan Program Funding.....	3
III.	Project Requirements	6
IV.	Loan Terms and Conditions	7
V.	Application Information	8

ATTACHMENTS

- A. TOD Combined Funders matrix of fund sources available.
- B. Map of Southeast Seattle light rail station areas prioritized for ETOD Loan Program funds.

*OH reserves the right to periodically make modifications to this offering. The most updated version will be posted at www.seattle.gov/housing.

I. Overview of Equitable TOD Loan Program

The City of Seattle Office of Housing is announcing the newly established Equitable TOD Loan Program (The Program), providing up to \$7 million to support transit-oriented development. The Program makes available up to \$3 million in City of Seattle Office of Housing funds, up to \$1.2 million in HUD Community Challenge Grant funds, and up to \$2.8 million from funding partners.

A TOD Combined Funders Group (The Funders) has formed to advise and participate in the deployment of Program funds. The Funders are composed of representatives from:

- Seattle Office of Housing
- Rainier Valley Community Development Fund
- Impact Capital
- Enterprise Community Loan Fund Inc.

Purpose of ETOD Loan Program Loans

Initially program loans will provide patient financing for securing sites near Southeast Seattle light rail transit station for the development of mixed-income housing, preferably in addition with commercial uses. These funds allow developers to take advantage of low acquisition prices and/or to secure sites that present a strategic use of funding relating to transit access or significant permanent financing leverage.

Capital funds for property acquisition are the Program's top priority¹. Secondary priority uses of funds are for pre-development financing for eligible activities including but not limited to:

- Holding costs
- Phase I environmental
- Engineering
- Legal fees
- Appraisals

Note: This program is a pilot program, intended to generate new models of mixed-income housing production minimizing public gap subsidy. Projects funded with Program financing will be limited to 10% of permanent subsidy from state and local sources. As a result, projects will likely need to carry a substantial amount of private debt. Larger projects of a catalytic nature (200 or more mixed income units including market rate and a commercial component) are encouraged and thus exempt from this restriction.

¹ The HUD Challenge Grant funds are available for acquisition of sites. The funds are subject to the requirement of the National Environmental Protection Act. A borrower can enter into an "option agreement" with a seller of a property prior to environmental clearance. The agreement must stipulate that the acquisition of the property is subject to completion of an environmental review. The borrower may not undertake any activities on the proposed property that have a physical impact or limit the choice of alternatives (such as executing a legally binding agreement to purchase the property).

Fund Sources for ETOD Loan Program

The funders listed above each of their own policies, procedures, and loan terms. See Attachment A for a matrix describing each fund source. The Funders have agreed to a collaborative decision making process intended to reduce underwriting redundancy and provide a response to borrowers within four weeks of submitting their application. Preliminary approval for a funding commitment may be provided sooner if necessary and possible.

Full details for OH programs can be found in the 2009 Levy Administrative & Financial (A&F) Plan and the City of Seattle Consolidated Plan for Housing and Community Development, which are available online at: http://www.seattle.gov/housing/levy/docs/Levy_A+F_Plan_2010-2011.pdf and <http://www.seattle.gov/housing/planning/default.htm>.

II. Priorities for ETOD Loan Program Funding

Proposals for ETOD Loan Program funding will be evaluated against the following priorities summarized below. Requirements for funding are detailed in Section III.

City of Seattle Housing Priorities

City of Seattle housing goals relevant to the ETOD Loan Program are:

- Advance the development of sustainable, transit-oriented communities that give low-income residents access to transportation, services, and economic opportunity.
- Support the revitalization of low-income communities, including developing mixed-income housing in areas of the city where higher percentages of low-income residents or housing exist, and preserving housing for low-income residents at risk of displacement.
- Promote sustainability throughout the design, construction and operations of affordable housing.
- Contribute to the development of housing that serves low-wage working families and individuals, providing a mix of unit sizes to accommodate a range of household sizes, and particularly in areas with access to transit. Support a pilot program that minimizes dependency on public subsidy, stretching those dollars further, while still creating much needed affordable housing.

Low Acquisition Cost

The ETOD Loan Program was created to respond to opportunities for strategic acquisitions in the Southeast Seattle real estate market. Potential borrowers are expected to negotiate the best price achievable. An appraisal will be ordered for full underwriting.

Southeast Seattle Neighborhood Plan Priorities

The Seattle Comprehensive Plan, including the adopted Neighborhood Plans for Southeast Seattle light rail station areas, contains community supported goals for new development. Projects should demonstrate they will implement some of the following Neighborhood Plan goals:

- Growth in new housing and commercial uses near light rail stations.
- Strong commercial districts including a mix of small, local and ethnic businesses.
- Housing affordable to a mix of incomes and household sizes (the project may include market-rate housing).
- Active uses of publicly owned properties near station areas such as affordable housing and employment opportunities.

Federal Partnership for Sustainable Communities Six Livability Principles

The HUD Office of Sustainable Housing and Communities (OSHC) administers the Community Challenge Planning Grant Program. The grant program funds local programs to plan for and implement strategies that further six livability principles. Projects must demonstrate how they are reflective of these six principles:

- **Provide more transportation choices:** Develop safe, reliable and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions and promote public health.
- **Promote equitable, affordable housing:** Expand location- and energy-efficient housing choices for people of all ages, incomes, races and ethnicities to increase mobility and lower the combined cost of housing and transportation.
- **Enhance economic competitiveness:** Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers as well as expanded business access to markets.
- **Support existing communities:** Target federal funding toward existing communities—through such strategies as transit-oriented, mixed-use development and land recycling—to increase community revitalization, improve the efficiency of public works investments, and safeguard rural landscapes.
- **Coordinate policies and leverage investment:** Align federal policies and funding to remove barriers to collaboration, leverage funding and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.
- **Value communities and neighborhoods:** Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods.

The Puget Sound Regional Equity Network's Principles of Equitable Development

The Puget Sound Regional Council was awarded a 2010 HUD Office of Sustainable Housing and Communities' Regional Planning Grant to fund the Growing Transit Communities (GTC) partnership. The formation of a Regional Equity Network was funded through this grant to provide a focus on equitable outcomes during the GTC light rail corridor planning processes. In 2012 this network of community organizations and government entities ratified a set of principles for equitable development. More information is available at: <http://psrc.org/growth/growing-transit-communities/regional-equity/>.

Projects which embody more of the principles listed below will be most competitive for funding:

- **Advance economic opportunity.** Promote local economic development and entrepreneur opportunities, enhance community-serving establishments, and increase quality living wage jobs for people in all neighborhoods.
- **Prevent displacement.** Develop policies and programs that allow anyone who wants to live in the community to do so and discourage displacement of viable small businesses that serve community needs.
- **Preserve and expand affordable housing options.** Create healthy, safe and affordable housing for all family sizes and incomes in all neighborhoods.
- **Understand and respond to local context.** Respect local community character, cultural diversity, and values. Preserve and strengthen intact neighborhoods, building upon their local assets and resources.
- **Promote broader mobility and connectivity.** Prioritize an effective and affordable public transportation network that supports transit-dependent communities and provides equitable access to core services and amenities, including employment, education, and health and social services.
- **Practice meaningful community engagement.** Require local community participation and leadership in decision-making to reflect a diversity of voices, including targeted strategies to engage historically marginalized communities. Build cultural competence and responsiveness among all stakeholders, and structure planning processes to be clear, accessible and engaging.
- **Develop healthy and safe communities.** Create built environments that enhance community health through public amenities (schools, parks, open spaces, complete streets, health care and other services), access to affordable healthy food, improved air quality, and safe and inviting environments.
- **Promote environmental justice.** Eliminate disproportionate environmental burdens and ensure an equitable share of environmental benefits for existing communities. Secure resources to mitigate and reverse the effects of environmental hazards past and present.

- **Achieve full accessibility.** Ensure any development that results from investments in the built environment is accessible and welcoming to people regardless of age, physical condition, or language.

Office of Economic Development Rainier Valley Retail Study

If the project includes a commercial component then the applicant should address how the proposed project implements recommendations and/or addresses concerns raised by the Office of Economic Development Rainier Valley Retail Study. A link to the study can be found at this webpage, <http://tinyurl.com/arwgxy5>.

III. Project Requirements

To be eligible to apply for ETOD Loan Program funding, projects and sponsors must meet the following threshold requirements.

Project Criteria

- Creation of housing is the top Program priority. A minimum of 20% of all units affordable to households making at or below 50% AMI or 40% of all units affordable to households at or below 60% AMI are required in every funded project. Market-rate units mixed with affordable units are encouraged. Some two and three bedroom family-sized units are required.

The Multi-Family Tax Exemption Program is available in all station areas with the exception of the future Rainier station. The program requires 20% of all units be made affordable to income qualified households for a range of affordability levels tied to different unit types. Program details can be found at this webpage <http://www.seattle.gov/housing/incentives/mfte.htm>. The program is available to a project for twelve years. Proposals with extended affordability terms, deeper levels of affordability, and/or additional units of affordable housing beyond the 20% minimum will be more likely to be funded.

- Creation of mixed-use with commercial on the ground floor or side-by-side if required by zoning is a secondary priority of the program. Below are the eligible commercial uses:
 - Office
 - Large anchor businesses
 - Small commercial space with an emphasis on space appropriate for locally owned businesses providing goods and services for the ethnically diverse community in Southeast Seattle.
 - Community uses such as childcare or healthcare facilities.
- The project is located within a 10 minute walk of one of the six light rail stations in Southeast Seattle as defined by the Seattle Department of Planning and Development's walk shed calculations. The extent of the walkshed takes into account the roadway

network, topography, and physical barriers. See Attachment B for a map of eligible areas. A walkshed for an individual station area is available upon request.

- The project demonstrates a high likelihood of repayment on reasonable terms within the term of the loan. The full underwriting will include borrower strength and likelihood of permanent take out financing.
- Projects with under 200 units of housing anticipate securing no more than 10% of the development's permanent equity from state and local soft subsidy sources. If Office of Housing dollars are requested in the permanent financing of constructing the project, the Levy Administrative and Financial policies will apply which include Residential Prevailing Wage policies.
- Larger projects catalytic in nature are encouraged and thus are exempt from the restriction on permanent equity from local and state soft subsidy sources. They must have more than 200 units of mixed-income housing including market rate units and a significant commercial component.
- The project is located on a site with appropriate zoning for the proposed use, or where broader impending zoning changes will create appropriate zoning within a reasonable timeframe (ex. The proposed rezone of the Mt. Baker station area)
- The project does not face any major challenges that could significantly delay development or significantly increase costs of the project, e.g., presence of undetermined levels of environmental contaminants, location in a Brownfield site or designated Environmental Critical Area, etc.

Sponsor Evaluation

Loans are limited to sponsors with strong capacity to secure permanent financing and successfully develop mixed-income housing. Criteria for evaluating sponsor capacity include but are not limited to:

- Project sponsors must be in good standing on any OH loans.
- Project sponsor must demonstrate the capacity to secure permanent financing for the proposed project within the term of the loan. Indicators of capacity include:
 - An appropriately sized pipeline (including projects outside of Seattle) and a strong development track record of completing projects within planned budgets and timelines;
 - A record of staying current with taxes and insurance, and maintaining properties to industry standards;
 - Demonstration of compliance with OH regulatory, reporting and reserves requirements in OH-funded properties; and
 - Organizational or personal financial audits that reflect an unqualified opinion with no findings or material weaknesses that would be cause for concern about the financial operations of the sponsor or for-profit entity.
- Funders will be evaluating the organizational capacity and strength of borrowers. Additional underwriting questions may be necessary.

IV. Loan Terms and Conditions

Loans must be used for pre-development or site acquisition, which includes the acquisition of improved and/or unimproved property. These loans are to be repaid with permanent project financing, which may be from either City or non-City funding sources.

The following loan terms and conditions apply:

- All commitments will aim for a blended interest rate of 3%. A higher interest rate may be provided depending on the proposals financing structures and availability of fund sources. Accrued interest shall be paid in full when the loan is repaid.
- The maximum term of a Program loan shall be 4 years.
- All loans will not exceed a blended loan-to-value ratio of 100%.
- A loan will be eligible for up to \$7 million to allow for scale of development. A predevelopment loan will be eligible for up to \$750,000. Commitments are subject to availability of funds.
- Interest will generally be capitalized. In some cases loans may be deferred depending on the funding partners. If the property generates cash flow, then monthly interest payments may be required. Depending on underwriting, monthly payments may be required from organizational resources.
- Partial recourse loans may be considered but will depend on the quality of the proposal. Personal guarantees are needed for for-profit entities.
- When OH funding is used, an OH regulatory agreement must be placed in first lien position at the time of loan closing. The regulatory term will be a minimum of 50 years.

V. Application Information

Pre-Application Meeting

Prospective applicants must schedule a pre-application meeting with the Funders prior to application. Pre-application meetings can be scheduled with the Funders. In the meeting, the sponsor should demonstrate how the proposed project meets the program's goals for short-term lending and provide details regarding the long-term plans for the site. Representatives from the Funders will provide feedback regarding the proposed project's alignment with the available funding and program policies.

- To schedule pre-application meetings and/or receive an application, please contact Laurie Olson, Multifamily Lending Manager, at 206-615-0995 or laurie.olson@seattle.gov.

RFP Letter of Intent

OH will begin receiving and reviewing letters of intent to apply starting March 2013. Letters of intent should include the following:

- Project sponsor(s) bio

- Site location
- Acquisition costs
- Number of units proposed to be developed
- Bedroom mix
- Affordability mix
- Project description

Application Timeline

Applications will be due May 30th, 2013 with the possibility of extension. In the event that there are uncommitted funds, OH will send out another RFP in June of 2013. Given that this is a pilot program, sponsors should consult with OH to determine whether their projects are best aligned with the ETOD Loan Program before making an application.

Loan Application

Application packets are provided upon request. Please contact Laurie Olson at (206) 615-0995 or laurie.olson@seattle.gov.

All applications must provide the necessary documentation to begin a process to meet requirements of the National Environmental Protection Act. Required documentation is included in the application packet. The HUD Office of Sustainable Housing and Communities Policy Guidance 2011-05 provide details on the NEPA requirements, <http://tinyurl.com/aye8e2>.

Where to Submit Letters of Intent and Applications

Letters of intent and applications must be submitted to:

Laurie Olson, Multifamily Lending Manager
Office of Housing
City of Seattle, Seattle Municipal Tower
PO Box 94725
Seattle, Washington 98124-4725

Disclosure of Documents

All proposals and related materials become the property of the City upon delivery to OH. State law, RCW Ch. 42.17, provides that public records are subject to public inspection and copying unless specifically exempted. RCW Ch. 42.17 enumerates limited exemptions a public agency's obligation to disclose public records. If the applicant believes that portions of its proposal are exempt from disclosure to third parties, the applicant must clearly label the specific portions sought to be kept confidential and specify an exemption that the applicant is relying on. However, acceptance of an application containing such designations by OH is not an agreement that such material is legally confidential, and OH cannot guarantee that such information will

not be disclosed. Marking all or substantially all of an application as confidential may result in the application being rejected.

The applicant recognizes and agrees that the City will not be responsible or liable in any way for any losses that the applicant may suffer from the disclosure of information or materials to third parties, nor for any use of information or materials by third parties. Materials submitted by unsuccessful applicants are subject to disposal unless picked up promptly by the applicant, except that OH will maintain one copy in compliance with public record laws.

Interpreter Services

Interpreter services for the deaf and materials in alternative formats are available upon advance request. TTY users please call Washington State Relay Service at 1-800-833-6388 and ask them to connect you with the Office of Housing at 684-0721.

Questions

If you have any questions about application this RFP or the application process, please contact:

- Laurie Olson, Multifamily Lending Manager, 615-0995, laurie.olson@seattle.gov
- Ryan Curren, Community Cornerstones, 684-0342, ryan.curren@seattle.gov

Attachment A: Sources Available

	City of Seattle Office of Housing		Impact Capital	Enterprise Community Loan Fund	Rainier Valley CDF	
Program/fund source	Challenge Grant	Housing Levy Acquisition and Opportunity Loans	Acquisition Loans Predevelopment (Soft Costs) Loans	Acquisition Loans	CDBG	Revolving
Amount Available	\$1,200,000 (HUD)	\$11,500,000 authority	\$25m available statewide.	\$150,000,000 available nationally	\$2,000,000 Subject to Availability	\$3,000,000 Subject to Availability
Interest Rate	0%	3% (being reviewed)	6-7.5%	5.00% - 7.25%	2.75%	4.5%-5%
Maximum Term	4 years	5 years	5 years for Acquisition, although 3 is the norm. PreD typically 12-24 months.	3-5 years; up to 10 for operating properties	4-5 years	5-7 years
Maximum Loan to Value	100%		80%, in rare circumstances up to 100% PreD Phase 2: typically look to permanent funding awarded	60% - 80%, potentially higher depending on project	Up to 100% for Non-Profits/ Up to 80% for For-Profits	Up to 100% for Non-Profits/ Up to 80% for For-Profits
Loan Size Limits	none		\$2,000,000 Acquisition \$500,000 Phase 2 PreD	\$3,000,000	\$4,000,000	\$4,000,000
Fees	none		1.50%	1.5-2%	1.25%	1.25%
Take Out Financing Requirement	Solid financing plan required		Feasible plan should be in place. Future commitments not necessary. Future commitment necessary for unsecured Phase 2	Feasible plan(s) for takeout financing	Flexible Requirements Based on Strength of Developer/Collateral	Flexible Requirements Based on Strength of Developer/Collateral
Region Served	SE Seattle light rail station areas	Seattle	Washington State	Pacific Northwest	Rainier Valley Investment Area	Rainier Valley Investment Area
Eligible Borrowers	Experienced non-profits and mission-aligned for-profits		Non-profits, tribal entities, and public housing authorities.	Experienced non-profits and mission-aligned for-profits	Experienced non-profits and mission-aligned for-profits	
Housing type	Any. Funds can be used for either housing or non housing facilities.	Rental and homeownership	Any. Funds can be used for either housing or non housing facilities.	Any. Funds can be used for either housing or non housing facilities.	Any. Funds can be used for either multi-family housing or commercial buildings/ community facilities.	
Income Restrictions	None	A&O Loans: up to 80% AMI	80% AMI but mixed income is also an option provided half serves 80% AMI or below.	50% of units for household below 80% AMI	51% of units for household below 80% AMI	None
Ability to finance commercial space	Yes	No	Yes	Yes	Yes if not for Take-Out Financing	Yes

Attachment B: Eligible Areas



Note: Project must be located on a site with appropriate zoning for the proposed use.